

Idaho Legislative Audits
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Division of Financial Management

Management Report on Internal Control

Issued: July 20, 2005
Fiscal Year: 2002, 2003, and 2004



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

DIVISION OF FINANCIAL MANAGEMENT

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Division of Financial Management's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Division's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. We noted no matters involving the internal control over the Division's reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report, nor were there any findings and recommendations in the prior report.

AGENCY RESPONSE. The Division has reviewed the report and in general agreement with its contents.

FINANCIAL SUMMARY. The Division finances most of its activities with a General Fund appropriation. The Division used the Natural Restoration Fund to finance the activities of the Silver Valley Trust. The Division's responsibility to the Silver Valley Trust ended January 31, 2002. At that time, the Natural Restoration Fund balance was transferred to the Idaho Division of Environmental Quality.

The Division assesses a statewide cost allocation for services by the State Treasurer's Office, the State Controller's Office, and part of the Attorney General's Office. This money is deposited in the Indirect Cost Recovery Fund and then transferred to the State's General Fund. The Division also collects fees for providing accounting services to the Governor's Office, the Office of Species Conservation, the Lieutenant Governor's Office, and the State Appellate Public Defender's Office. These fees are deposited in the Miscellaneous Revenue Fund.

Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

DIVISION OF FINANCIAL MANAGEMENT – FINANCIAL SUMMARY

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
GENERAL FUND (0001)			
Beginning Appropriation Balance	\$2,294,800.00	\$2,097,300.00	\$1,968,800.00
Supplemental Appropriation	(91,800.00)	(73,400.00)	0.00
Receipts	61,800.00	2,764.47	7,334.56
Beginning Encumbrances	<u>172,470.90</u>	<u>0.00</u>	<u>15,695.00</u>
Total Funds Available	\$2,437,270.90	\$2,026,664.47	\$1,991,829.56
Personnel Costs	1,623,157.53	1,587,111.88	1,522,899.17
Operating Expenses	411,975.28	299,365.94	292,947.08
Capital Outlay	<u>115,899.36</u>	<u>0.00</u>	<u>80,885.66</u>
Total Disbursements	\$2,151,032.17	\$1,886,477.82	\$1,896,731.91
Ending Encumbrances	<u>0.00</u>	<u>15,695.00</u>	<u>57,930.69</u>
Revert to General Fund	<u>\$286,238.73</u>	<u>\$124,491.65</u>	<u>\$37,166.96</u>
INDIRECT COST RECOVERY FUND (0125)			
Beginning Fund Balance	\$0.00	\$0.00	\$0.00
Receipts	<u>1,167,875.95</u>	<u>1,332,360.71</u>	<u>16,863,057.01</u>
Total Funds Available	\$1,167,875.95	\$1,332,360.71	\$16,863,057.01
Statutory Transfers Out	<u>1,167,875.95</u>	<u>1,332,360.71</u>	<u>16,863,057.01</u>
Ending Fund Balance	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
NATURAL RESTORATION FUND (0310)			
Beginning Free Fund Balance	\$718,066.56	\$0.00	\$57.71
Receipts	272,890.49	922.85	9.38
Beginning Encumbrances	<u>0.00</u>	<u>12,500.00</u>	<u>0.00</u>
Total Funds Available	\$990,957.05	\$13,422.85	\$67.09
Personnel Costs	49,671.57	0.00	0.00
Operating Expenses	71,379.99	1,446.90	0.00
Trustee and Benefits	<u>616,100.53</u>	<u>0.00</u>	<u>0.00</u>
Total Disbursements	\$737,152.09	\$1,446.90	\$0.00
Statutory/Operating Transfers Out	<u>241,304.96</u>	<u>11,918.24</u>	<u>67.09</u>
Ending Fund Balance	\$12,500.00	\$57.71	\$0.00
Ending Encumbrances	<u>12,500.00</u>	<u>0.00</u>	<u>0.00</u>
Ending Free Fund Balance	<u>\$0.00</u>	<u>\$57.71</u>	<u>\$0.00</u>

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
MISCELLANEOUS FUND (0349)			
Beginning Fund Balance	\$86,629.78	\$78,212.73	\$78,088.60
Receipts	12,478.07	28,446.66	29,728.92
Total Funds Available	\$99,107.85	\$106,659.39	\$107,817.52
Personnel Costs	15,590.03	21,312.44	20,118.75
Operating Expenses	5,305.09	7,258.35	7,045.22
Total Disbursements	\$20,895.12	\$28,570.79	\$27,163.97
Ending Fund Balance	\$78,212.73	\$78,088.60	\$80,653.55

OTHER ISSUES. We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Division of Financial Management and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Brad Foltman, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC18004

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.